C.D. Howe Institute
Institut C.D. Howe

2008 ANNUAL REPORT

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Celebrating/Nous célébrons 50 *years/ans*

OUR PROFILE

The C.D. Howe Institute is a leading independent, economic and social policy research institution. The Institute promotes sound policies in these fields for all Canadians through its research and communications. Its nation-wide activities include regular policy roundtables and presentations by policy staff in major regional centres, as well as before parliamentary committees. The Institute's individual and corporate members are drawn from business, universities and the professions across the country.

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A Message from the **CHAIRMAN**

Outstanding Team, Outstanding Achievement

David A. Dodge
Chairman of the Board

No annual compendium can ever cover all the life work and events of an ever-busy national organization such as the C.D. Howe Institute. This is particularly true for the past year, during which the Institute has been exceptionally active.

2008 marked the C.D. Howe Institute's 50th anniversary, a significant milestone of which the Institute is rightly proud. We are also well aware of the fact that reaching it has only been possible because of the support of our members. In 2008, members again demonstrated their generosity by giving in record numbers, ensuring the Institute eclipsed its previous best-ever fundraising result. This bears testimony to the high regard that individuals and organizations continue to have for the C.D. Howe Institute's research.

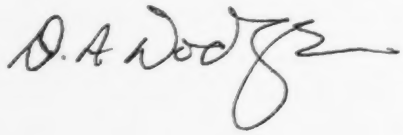
Thanks are owed to all members, but I would like to thank one in particular. Tim Hearn served the Institute well as Chair these past three years and we are grateful to him for his service. Ever the philanthropist, Tim's outgoing act as Chairman of the Institute was a six-figure donation to the Institute's endowment fund for special studies. We thank him very much for his generosity and leadership.

The year that started on a celebratory high note for the Institute soon tested our mettle as the economy worsened and the need for adept policy responses grew. The US housing market collapsed. Credit markets froze. Risk models proved as incomplete as regulatory oversight in some jurisdictions. The results: institutions failed, and a full-fledged global market crisis ushered in the first synchronized global recession in living memory. Canada has not been and will not be spared. But owing to our stronger policy framework, Canada has faired relatively better than most other jurisdictions. If Canada pursues good policy going forward, it can continue to do relatively better than others. That is why the Institute's work was so important in 2008 and why it remains so important in 2009 and future years.

Institute President and CEO Bill Robson and his colleagues swiftly responded with wide-ranging work on credit markets, monetary policy responses and fiscal policy interventions. And they did so without cutting back other work. I encourage you to read this annual report, which outlines a year that not only saw your Institute respond to breaking economic events, but also witnessed a record number of events and publications in areas as far ranging as aboriginal education, municipal finance, provincial budgets, energy and environment issues.

These results were achieved because all C.D. Howe Institute staff rose to the occasion. I commend the staff for their work and Bill Robson and Duncan Munn for their leadership.

The year ahead will pose significant challenges. The pressing need for smart policy responses will not abate, and the demands on the Institute will increase. We begin the task of examining how to best stabilize the economy in the short term, and in the long term, seek policy changes that avoid the distortionary incentives that were so clearly imbedded in the global financial system. On behalf of my fellow Directors, I thank you for your support. We look forward to working together on these important issues.



"Independent research is critical to debate, and the C.D. Howe Institute is a true Canadian jewel."

Kevin G. Lynch, Clerk of the Privy Council
and Secretary to the Cabinet

A Message from the **PRESIDENT & CEO**

Confronting Crisis: Strategic Vision; Nimble Response

William B.P. Robson
President and CEO

If ever a year demonstrated the need for sound economic policy – both well-grounded strategies for building a dynamic economy, and adept reactions to limit damage when crises occur – 2008 was it.

Sadly, in much of the world, and especially in the United States, the consequences of unsound strategies made the headlines. Tax and credit-market distortions that promoted overconsumption of housing and much else, dysfunctional financial regulation, unsustainable fiscal positions, bubble-inducing monetary policies, mercantilist trade policies and exchange-rate manipulation – all these helped push the world economy to the brink.

Canada's experience in 2008, while bruising, shows the importance of sound economic strategies and adept crisis responses in a more positive light. There is good reason for the often-repeated observation that Canada entered the crisis in better shape than most countries. On every dimension – tax and credit-market policies, financial structure, fiscal stance, stable monetary policy, openness and free-floating exchange rate – Canadian economic policy has been good by historical and world standards.

Aided domestically by the buffering effect of these favourable circumstances, Canadian policymakers have shown clarity of vision and crisp execution that other countries must envy. The lessons of 2008, and the challenges of 2009, should inspire Canadians to recommit to the high standards for economic policy that supported prosperity in the past, and can help us get through the slump faster and more easily.

Amid the turmoil, I hope the C.D. Howe Institute's supporters will take satisfaction from the Institute's encouragement of good policy in Canada in 2008.

On the strategic side, my colleagues and I made regular contributions in such key areas as growth-friendly taxation, fiscal accountability, better pension funding and coverage, energy and environment issues, educational achievement, aboriginal advancement, and other framework policies where the Institute has had positive impact in the past. On the tactical side, we weighed in regularly on subjects such as interest-rate setting, fiscal responses, and credit-market policy, with a publication and events program that ensured policymakers got needed timely, high-quality analysis and advice.

As a result, the C.D. Howe Institute set new records for numbers of publications and events. Notwithstanding our relatively small budget, we topped all Canadian think-tanks for high-quality media citations. From the Prime Minister and the Governor of the Bank of Canada, through provincial leaders and officials, to senior businesspeople and top-flight academics, the C.D. Howe Institute engaged Canadians coast to coast, and bolstered its position as Canada's foremost provider of top-quality, independent and practically oriented policy debate and guidance.

Among the most positive and important aspects of that engagement is our contact with the Institute's supporters. The Institute is blessed with a committed, engaged and extraordinarily able Board of Directors. And in 2008 more than ever, I appreciated the extent to which our members continued to give the intellectual, moral and material support that enables the C.D. Howe Institute to shape, implement, and communicate policy-relevant work that is not only of the highest quality, but is also directly pertinent to the challenges facing public- and private-sector leaders.

I am also proud of the contributions made by the Institute's team – the outside authors, Fellows, and research team guided by Vice President, Research Finn Poschmann, and the outstanding events, development, and communications organization led by Senior Vice President and Chief Operating Officer Duncan Munn. The following pages tell an extraordinary story of dedication and energy, turning the support of our members into a nation-leading program of publications and events.

In addition to being a year of extraordinary economic challenges, 2008 also marked the C.D. Howe Institute's 50th anniversary. As the Institute enters its second half-century, we are committed to building on the tradition of rigour, independence and pertinence that has earned the respect of policymakers and the support of Canadians in past years. We will do our part to help Canada navigate the difficult months to come. And we will continue to promote the high-level analysis and counsel that has promoted sound economic and social policy in Canada in the past, and will provide a foundation for renewed prosperity in the years ahead.

William B.P. Robson
President and CEO

2008 **GOALS & RESULTS**

Dedicated Efforts, Tangible Results

During 2008, the C.D. Howe Institute made solid progress in its mission to improve Canadians' standard of living. Our overall success is tangible in the way Institute research has prefigured reform in policies ranging from more competitive corporate income tax rates to the introduction of the Tax Free Savings Account. It is also quantifiable to the degree we matched our goals for 2008 with successful results.

The Institute's senior management team: from left, Finn Poschmann, Vice President Research; Duncan Munn, Senior Vice President and Chief Operating Officer; William Robson, President and CEO; Monique Cormier, Vice President Administration; James Fleming, Editor and Director of Communications.

GOAL: Expand breadth and scope of policy research agenda.
RESULT: Increased publications output by 12 percent, targeting five core areas: Fiscal and Monetary, Social, Growth, Trade and Governance issues.

GOAL: Assist policymakers in responding to market crisis as it unfolded.
RESULT: Consultation with the Prime Minister, The Right Honourable Stephen Harper, in advance of G-20 meetings; major monetary policy conference attended by Bank of Canada Governor Mark Carney.

GOAL: Strengthen research team.
RESULT: Bolstered capacity with two new Fellows in Residence and new internal policy analyst.

GOAL: Strengthen events and conferences.
RESULT: Record number of events and conferences; Institute became new home for Sylvia Ostry Lecture.

GOAL: Increase electronic policy paper dissemination.
RESULT: 15 percent increase in website publication downloads over 2007.

GOAL: Increase rapid media response to policy issues.
RESULT: 150 percent increase in opinion and editorial articles.

GOAL: Strengthen Institute's national presence.
RESULT: More than 100 major events and staff appearances in cities nation-wide, as well as consultations with policymakers at the provincial and federal levels.

GOAL: Ensure C.D. Howe Institute maintains strong financial footing.
RESULT: 11 percent increase in fundraising revenues over 2007, making 2008 the best fundraising year yet.

GOAL: Reduce costs through operating efficiencies.
RESULT: Managerial reorganization produced lasting savings in cost structure.

OUR MISSION

The C.D. Howe Institute is a national, nonpartisan, nonprofit organization that aims to improve Canadians' standard of living by fostering sound economic and social policy. The Institute promotes the application of independent research and analysis to major economic and social issues affecting the quality of life of Canadians in all regions of the country. It takes a global perspective by considering the impact of international factors on Canada and bringing insights from other jurisdictions to the discussion of Canadian public policy. Policy recommendations in the Institute's publications are founded on quality research conducted by leading experts and subject to rigorous peer review. The Institute communicates clearly the analysis and recommendations arising from its work to the general public, the media, academia, experts, and policymakers.

The Institute's **2008 RESEARCH AGENDA**

The policy terrain shifted in 2008. And as world financial turmoil reverberated in Canada, putting in stark relief the role of monetary and fiscal policy in responding to economic shocks, the C.D. Howe Institute's research program, led by Vice President Finn Poschmann, proved its mettle.

The Institute's research initiatives and publications programs have been running full bore, led by significant new work on pensions reform, financial markets and regulation, the conduct of monetary policy, and how to respond to large but transient fiscal challenges without saddling our children with unconscionable levels of debt.

What makes us proud, however, is that these crisp responses to emerging policy needs are generated through our standing research programs. This is possible because of the foresight and guidance of our stellar roster of Fellows-in-Residence, named research scholars and Senior and other Research Fellows. The Institute's Monetary Policy Council comprises the nation's very best monetary policy minds in the business and academic communities. Members of the Institute's Financial Services Research Initiative, the Tax Competitiveness Council and the Pensions Advisory Group, and the program chairs, Edward P. Neufeld, Robert D. Brown, Nicholas Le Pan and Claude Lamoureux provide outstanding advice and commitment.

The research team: from left, Benjamin Dachis, Policy Analyst; Finn Poschmann, Vice President Research; Claire de Oliveira, C.D. Howe Fellow; Alexandre Laurin, Senior Policy Analyst; Colin Busby, Policy Analyst.

The research team that coordinates this work, which in 2008 featured Robin Banerjee, Colin Busby, Ben Dachis, Alexandre Laurin, Krista Lucenti, and Claire de Oliveira, relies on the executive assistance of Kristine Gray. Special thanks also to James Fleming, Editor and Director of Communications, and Heather Vilistus, Graphic Designer. All successful efforts are team plays, and we are profoundly grateful to the Institute's members, and colleagues in the public and private sectors who so energetically engage with us, for the support and encouragement that makes this work possible.

Monetary Policy

Effective monetary policy, one of the most prominent economic levers government controls, can engineer an environment of low and stable inflation. Against this backdrop, efficiently functioning financial markets can facilitate productivity and wage growth, and a strong and resilient economy.

The year 2008 certainly tested Canada's monetary authorities, and the C.D. Howe Institute's Monetary Policy Council (MPC) seized the spotlight amid a gathering financial storm. On November 6, a special session of the MPC provided a briefing on policy options for Prime Minister Stephen Harper, followed by an extensive question and answer session.

The Institute hosted a conference entitled "Canada's Monetary Policy Regime After 2011," which gathered Canada's most important monetary policy minds, including Institute Fellow-in-Residence and Professor Emeritus David Laidler, and featured Bank of Canada Governor Mark Carney as its keynote speaker. The conference set the stage for the Institute's research program on the conduct of monetary policy in the wake of Canada's successful experience with inflation targeting.

On November 18, David Dodge, the former Governor of the Bank of Canada, gave the Institute's annual Benefactors Lecture, "Central Banking at a Time of Crisis and Beyond: A Practitioner's Perspective." He articulated the short- and long-term issues that confront the Bank of Canada, underscoring the limitations of the Bank's central policy tool in the current crisis while recognizing the past success of Canada's inflation targets in anchoring expectations.

PUBLICATIONS

Laidler, David. **"Fixing the Exchange Rate: Still a Bad Idea"** e-brief (January).

Laidler, David. **"Food and Energy Prices: Why the Bank of Canada Should Remain Focused on the CPI"** e-brief (April).

Dodge, David. **"Central Banking at a Time of Crisis and Beyond: A Practitioner's Perspective"** Benefactors Lecture (November).

Laidler, David, and Robin Banerjee. **"Unstable Foundations: Asset Markets, Inflation Targets, and Canada's 2011 Policy Choices"** Commentary No. 278 (December).

MONETARY POLICY COUNCIL (MPC)

The C.D. Howe Institute MPC marked its 5th anniversary in 2008. The MPC is comprised of 12 of Canada's most distinguished financial-market and monetary economists. Chaired by the Institute's President and Chief Executive Officer, William Robson, it provides the Bank of Canada, financial-market participants, and economic policy commentators with a regular independent assessment of the stance appropriate to hitting Canada's 2 percent inflation target.

The MPC convenes to discuss the Bank of Canada's policy toward the overnight rate, the short-term interest rate that is the Bank's benchmark interest rate for influencing monetary conditions in Canada, shortly before each of the Bank's interest-rate announcements.

Since the MPC's inception the Bank's regular interest rate announcements have coincided with the MPC's recommendations 70 percent of the time.

The members of the MPC are:

Jean Boivin
HEC Montréal

Edward A. Carmichael
Ontario Municipal Employees' Retirement System

Thorsten Koeppl
Queen's University

David Laidler
University of Western Ontario

Michael Parkin
University of Western Ontario

Doug Porter
BMO Capital Markets

Nicholas Rowe
Carleton University

Angela Redish
University of British Columbia

Pierre Siklos
Wilfrid Laurier University

Andrew Spence
Ontario Teachers' Pension Plan

Craig Wright
RBC Financial Group

David Wolf
Merrill Lynch Canada Inc.

Fiscal Policy

Tough fiscal policy questions faced governments on many fronts in 2008, and kept Institute authors keenly engaged on emerging issues. Among pathbreaking reports, "Sand in the Gears: Evaluating the Effects of Toronto's Land Transfer Tax" by professors Gilles Duranton and Mathew Turner of the University of Toronto, and Benjamin Dachis of the Institute, stands out for combining novel micro-geographic analytical techniques and shrewd tax policy thinking, to produce new and highly topical research that will prove a long-lived resource for scholars and policymakers.

The Institute's work figured prominently in the 2008 federal budget, which launched the new Tax Free Savings Accounts, a policy proposal developed for Canada by Professor Jonathan Kesselman and the Institute's Finn Poschmann, in their award-winning 2001 study, "A New Option for Retirement Savings: Tax-Prepaid Savings Plans."

Arthur Cockfield of Queen's University Law School wrote a careful analysis of Canada's international corporation tax system, and his study, "Finding Silver Linings in the Storm: An Evaluation of Recent Canada - US Crossborder Developments," was a valuable resource for the Federal Advisory Panel on Canada's System of International Taxation, which prepared its report in the fall of 2008.

The Institute's Tax Competitiveness Council continued its important work, and besides overseeing Professor Cockfield's report, produced a detailed comparison and policy analysis of provincial tax competitiveness, and an updated 80-country report, "Still a Wallflower: The 2008 Report on Canada's International Tax Competitiveness," each prepared by George Weston Tax Fellow Duanjie Chen and Institute Fellow-in-Residence Jack Mintz. Sales tax reform in Ontario was another key thrust of the Council's work.

PUBLICATIONS

Banerjee, Robin, Colin Busby, Benjamin Dachis, Finn Poschmann and William B.P. Robson. **"Steering Through Turbulence: The Shadow Federal Budget for 2008"** Backgrounder No. 111 (February).

Busby, Colin. **"After the Oil Rush: A Blueprint for Alberta's Long-term Happiness"** e-brief (February).

Busby, Colin, and William B.P. Robson. **"Off the Mark: Canada's 2008 Fiscal Accountability Ranking"** Backgrounder No. 112 (February).

Busby, Colin, and William B.P. Robson. **"Objectifs Manqués: le Classement 2008 de la Responsabilité Fiscale au Canada"** Backgrounder No. 112 (February).

Dachis, Benjamin. **"Slicing the Pie: Federal Assistance for Provincial Sales Tax Reform"** e-brief (April).

Busby, Colin, and Leslie Shiell. **"Greater Savings Required: How Alberta can Achieve Fiscal Sustainability from its Resource Revenues"** Commentary No. 263 (May).

Chen, Duanjie, and Jack Mintz. **"Limited Horizons: The 2008 Report on Federal and Provincial Budgetary Tax Policies"** Commentary No. 270 (July).

Shillington, Richard, and John Stapleton. **"No Strings Attached: How the Tax-Free Savings Account Can Help Lower-Income Canadians Get Ahead"** e-brief (September).

Dungan, Peter, Jack Mintz, Finn Poschmann and Thomas Wilson. **"Growth-Oriented Sales Tax Reform for Ontario: Replacing the Retail Sales Tax with a 7.5 Percent Value-Added Tax"** Commentary 273 (September).

Cockfield, Arthur. **"Finding Silver Linings in the Storm: An Evaluation of Recent Canada-US Crossborder Tax Developments"** Commentary No. 272 (September).

Chen, Duanjie, and Jack Mintz. **"Still a Wallflower: The 2008 Report on Canada's International Tax Competitiveness"** e-brief (September).

Economic Growth and Innovation

The credit and financial crisis was surely the most significant economic issue of 2008, and in July, the Institute was delighted to publish Frank Milne's remarkably prescient "Anatomy of the Credit Crisis." Professor Milne, subsequently appointed Special Adviser at the Bank of Canada, reported that financial institution risk managers "made false assumptions about the liquidity and transparency of a new generation of credit instruments… (Yet) the current crisis reflects not a liquidity problem, but a massive delevering … There has been what amounts to a massive run on an insolvent shadow banking system, whose reverberations are far from over."

Long-term business policy, with a focus on productivity, remained at the forefront of the Institute's agenda with studies on fostering investment and levelling the tax playing field for businesses of all sizes.

Building on previous environmental work, the Institute analyzed options for regulating carbon emissions, with an innovative legal analysis from Osgoode Hall Dean Emeritus Peter Hogg, C.C., and definitively showed the economic and fiscal costs of ethanol subsidies. On energy policy, the Institute proposed concrete steps to move to a more competitive electrical system.

In one of the premiere events of the year, the Institute brought together four leading economists – Craig Wright, Andrew Spence, Warren Jestin and Douglas Porter – to discuss how financial markets have responded to government intervention.

The Institute also held a spirited debate on creating a single securities regulator and held two roundtables on the Competition Policy Review.

The US Deputy Secretary of Energy spoke at an invitation-only dinner in Calgary and Leader of the Opposition Stéphane Dion held one of his first public consultations after the announcement of the Green Shift at the Institute in Toronto.

FINANCIAL SERVICES RESEARCH INITIATIVE (FSRI)

The C.D. Howe Institute FSRI reports and advises on financial sector policy. Its unique work program addresses the economic environment within which financial intermediation takes place, the regulatory environment, and the future of financial intermediation. The FSRI convenes meetings of experts, policymakers and supporters engaged in the financial services sector, including financial intermediaries, securities market participants and their regulators, among others. The Initiative is chaired by Edward P. Neufeld. Its work program is managed by Finn Poschmann, the Institute's Vice President, Research, with the assistance of Fellow-in-Residence and Professor Emeritus David E.W. Laidler. The Initiative publishes research by prominent scholars from academia, associations, and the private and public sectors.

The Institute's **2008 RESEARCH AGENDA**

PUBLICATIONS

Brennan, Timothy. **"Generating the Benefits of Competition: Challenges and Opportunities in Opening Electricity Markets"** Commentary No. 260 (April).

Wyman, Michael. **"Power Failure: Addressing the Causes of Underinvestment, Inefficiency and Governance Problems in Ontario's Electricity Sector"** Commentary No. 261 (May).

Tomlin, Ben. **"Clearing Hurdles: Key Reforms to Make Small Business More Successful"** Commentary No. 264 (May).

Busby, Colin. **"Richer Than We Think: Why Canadians' Purchasing Power Is Up While Economic Growth Is Down"** e-brief (July).

Milne, Frank. **"Anatomy of the Credit Crisis: The Role of Faulty Risk Management Systems"** Commentary No. 269 (July).

Auld, Douglas. **"The Ethanol Trap: Why Policies to Promote Ethanol as Fuel Need Rethinking"** Commentary No. 268 (July).

Banerjee, Robin, and William B.P. Robson. **"New Tools for a Richer, Greener Future: Why Canadian Workers Need More Robust Business Investment"** e-brief (July).

Hogg, Peter. **"A Question of Parliamentary Power: Criminal Law and the Control of Greenhouse Gas Emissions"** Backgrounder No. 114 (August).

Busby, Colin. **"Fixing a Persistent Problem: Canada's Regional Pockets of Unemployment"** e-brief (October).

International Policy

International policy, a core research area for the institute, was active in 2008. Notable Roundtable speakers included: Jonathan Fried on the role of the IMF in turbulent times, Peter Godsoe on international taxation, and Marie-Lucie Morin, Deputy Minister for International Trade, on directions for trade policy. Directors Dinner speaker John Manley addressed Canada's future role in Afghanistan and beyond.

This year's Sylvia Ostry Lecture, the first hosted by the Institute, featured the eminent trade economist Jagdish Bhagwati of Columbia University, who presented a passionate defence of the economic and ethical case for free trade.

The United States political and economic situation was a prominent theme in our Roundtables. The increasingly precarious fiscal situation was discussed by Robert Hormats, of Goldman Sachs, and also by Laurence Kotlikoff, of Boston University, who delivered the annual Mintz Economic Policy Seminar. Robert Shiller of Yale University addressed the subprime crisis and former diplomat Allan Gotlieb discussed the results of the US election. On a different note, University of Toronto political scientist Stephen Clarkson questioned the extent of North American integration.

International capital markets issues were central to a one-day conference on Sovereign Wealth Funds, as well as to a publication outlining policy responses to the financial crisis. A study of international openness to investment found much room for improvement in Canada's performance.

Looking at Canadian trade policy, Bill Dymond and Michael Hart's study outlined the implications of global value chains for Canada. NAFTA, an issue of perennial interest, was the subject of a publication by Alan Alexandroff, Gary Hufbauer and Krista Lucenti on potential improvements to the agreement that Ottawa might pursue. With the Doha Round of international trade negotiations in a precarious state, Matthew Adler's study of the costs of abandoning a multilateral approach for one based on bilateral deals provides needed ammunition to supporters of free trade.

PUBLICATIONS

Adler, Matthew. **"Stumbling Forward on Trade: The Doha Round, Free Trade Agreements, and Canada"** e-brief (January).

Dymond, Bill, and Michael Hart. **"Navigating New Trade Routes: The Rise of Value Chains, and the Challenges for Canadian Trade Policy"** Commentary No. 259 (March).

Alexandroff, Alan, Gary Clyde Hufbauer and Krista Lucenti. **"Still Amigos: A Fresh Canada-US Approach to Reviving NAFTA"** Commentary No. 274 (September).

Banerjee, Robin, Alexandre Laurin and Finn Poschmann. **"International Policy Responses to the Financial Crisis: A Canadian Perspective"** e-brief (November).

Krzepkowski, Matt, and Jack Mintz. **"Squeaky Hinges: Widening the Door to Canadian Cross-border Investment"** e-brief (November).

William Robson (left) in discussion with policy analyst Alexandre Laurin and Duncan Munn. Institute research has prefigured reform in policies ranging from lower corporate tax rates to the introduction of the Tax Free Savings Account.

Social Policy

The Institute's social policy efforts featured 2008 Fellow-in-Residence John Richards' work on school performance and educational attainment for the Aboriginal population. In line with his previous pioneering work for the Institute, Education Scholar David Johnson, examined student performance in British Columbia and across Ontario school boards.

Meanwhile, research by Ross Finnie of the University of Ottawa and Ian Irvine of Concordia University examined how social assistance participation in Canada has changed over the last decade. The authors found a decline in social assistance take-up by Canadians, explained by declining unemployment rates, a less generous EI program and welfare reforms that discouraged uptake.

Also on welfare and well-being, Finn Poschmann, Vice-President, Research, examined the impact of recent tax initiatives, from the federal and some provincial governments, on low-income families. He found that, while the benefits tend to supply cash to needy households, the initiatives had a perverse effect for many low-income families, as they raised rather than lowered the effective tax rate on their incremental income.

Focusing on an important labour market and social problem, policy analyst Colin Busby examined Canada's regionally persistent pockets of unemployment, and offered advice on how EI program reforms could reduce this problem.

PUBLICATIONS

Johnson, David. **"School Grades: Identifying British Columbia's Best Schools"** Commentary No. 258 (February).

Poschmann, Finn. **"Still High: Marginal Effective Tax Rates on Low-Income Families"** Backgrounder No. 113 (February).

Richards, John, Jennifer Hove and Kemi Afolabi. **"Understanding the Aboriginal/Non-Aboriginal Gap in Student Performance: Lessons From British Columbia"** Commentary No. 276 (December).

Finnie, Ross, and Ian Irvine. **"The Welfare Enigma: Explaining the Dramatic Decline in Canadians' Use of Social Assistance, 1993-2005"** Commentary No. 267 (June).

Johnson, David. **"Heads of Class: A Comparison of Ontario School Boards by Student Achievement"** e-brief (August).

Card, David, Martin Dooley and A. Abigail Payne. **"School Choice and the Benefits of Competition: Evidence from Ontario"** Backgrounder No. 115 (October).

Richards, John. **"Closing the Aboriginal/non-Aboriginal Education Gaps"** Backgrounder No. 116 (October).

Governance and Public Institutions

The need for change in Canada's pension arrangements dominated research on public institutions in Canada, with pension issues accounting for about three-quarters of Institute publications in the field. Careful studies of the evolving troubles in the pensions arena included Professor James Pesando's "Risky Assumptions: A Closer Look at the Bearing of Investment Risk in Defined-Benefit Pension Plans," and Professor Tammy Schirle's "Greener Pastures: Understanding the Impact of Retirement Incentives."

Institute President William Robson advocated safe-harbour protections for sponsors and a modernized withdrawal rate to improve the environment for participants in capital accumulation plans.

The Institute's Robin Banerjee and William Robson highlighted the need for new tax rules to better encourage proper pension funding in "Lifting the Lid on Pension Funding: Why Income-Tax-Act Limits on Contributions Should Rise," and the Institute was also delighted to publish professors Mark Kamstra of York University and Robert Shiller of Yale University on "The Case for Trills: Giving Canadians and their Pension Funds a Stake in the Wealth of the Nation."

Better alternatives to conventional pension plans are also needed. How to deliver on this was the focus of two widely discussed reports, James Pierlot's "A Pension in Every Pot: Better Pensions for More Canadians," and Keith Ambachtsheer's "The Canada Supplementary Pension Plan (CSPP): Towards an Adequate, Affordable Pension for All Canadians." Works such as these will form the basis for major pension reform in Canada, something the Institute and federal and provincial governments will be working on in the course of 2009 and 2010.

PUBLICATIONS

Robson, William B.P. **"Safe Harbours: Providing Protection for Canada's Money-Purchase Plan Sponsors"** Backgrounder No. 110 (January).

Banerjee, Robin, and William B.P. Robson. **"Lifting the Lid on Pension Funding: Why Income-Tax-Act Limits on Contributions Should Rise"** e-brief (April).

Schirle, Tammy. **"Greener Pastures: Understanding the Impact of Retirement Incentives in Defined-benefit Pension Plans"** Commentary No. 262 (May).

Ambachtsheer, Keith. **"The Canada Supplementary Pension Plan (CSPP): Towards an Adequate, Affordable Pension for All Canadians"** Commentary No. 265 (May).

Ambachtsheer, Keith. **"Le Régime Supplémentaire de Retraite du Canada (RSRC) : Vers un Régime de Retraite Adéquat et Abordable pour Tous Les Canadiens"** Commentary No. 265 (May).

Pesando, James. **"Risky Assumptions: A Closer Look at the Bearing of Investment Risk in Defined-Benefit Pension Plans"** Commentary No. 266 (June).

Robson, William B.P. **"A Better Riff on Retirement: The Case for Lower Minimum Withdrawals from Registered Retirement Income Funds"** e-brief (July).

Kamstra, Mark, and Robert Shiller. **"The Case for Trills: Giving Canadians and their Pension Funds a Stake in the Wealth of the Nation"** Commentary No. 271 (August).

Dachis, Benjamin. **"No Free Ride: The Cost of Essential Services Designation"** e-brief (September).

Charlebois, Sylvain, and Richard Pedde. **"A Bushel Half Full: Reforming the Canadian Wheat Board"** e-brief (November).

Pierlot, James. **"A Pension in Every Pot: Better Pensions for More Canadians"** Commentary No. 275 (November)

Dachis, Benjamin, Gilles Duranton and Matthew A. Turner. **"Sand in the Gears: Evaluating the Effects of Toronto's Land Transfer Tax"** Commentary No. 277 (December).

PENSION PROGRAM

The C.D. Howe Institute launched the Pension Papers in May 2007 to address key challenges facing Canada's system of retirement saving, assess current developments, identify regulatory strengths and shortfalls, and make recommendations to ensure the integrity of pension earnings for the growing number of Canadians approaching retirement.

Advisory Panel: C.D. Howe Institute Pension Papers Program

CO-CHAIRS:
Claude Lamoureux, former President and CEO, Ontario Teachers' Pension Plan

Nick Le Pan, former Superintendent of Financial Institutions, Canada

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John Ilkiw, Canada Pension Plan Investment Board

Barbara Zvan, Ontario Teachers' Pension Plan

2008 EVENTS At a Glance

JAN 10: ROUNDTABLE
Recent Financial Market Turbulence: Policy Issues, David Longworth, Deputy Governor, Bank of Canada.

JAN 22: ROUNDTABLE
Global Economic Governance – the IMF in Turbulent Times, Jonathan T. Fried, Executive Director, Canadian, Irish & Caribbean Constituency, International Monetary Fund.

JAN 28: ROUNDTABLE
Investment and Trade: New Strategies for Foreign Affairs and International Trade Canada, Marie-Lucie Morin, Deputy Minister International Trade, Foreign Affairs & International Trade Canada.

FEB 4: MINTZ SEMINAR
America's Impending Bankruptcy and its International Implications, Laurence Kotlikoff, Professor of Economics, Boston University.

FEB 13: ROUNDTABLE
British Columbia School Performance Indicators, David R. Johnson, Professor, Wilfrid Laurier University.

FEB 21: ROUNDTABLE
The Needed Reforms of Quebec Labour Markets, Michel Kelly-Gagnon, President, Conseil du Patronat du Québec.

FEB 21: POWER CORP DINNER
Report of the Task Force on Health Funding to Ensure Sustainability of the Quebec Health Care System, Claude Castonguay, CIRANO.

FEB 28: ROUNDTABLE
Budget 2008, Tiff Macklem, Assistant Deputy Minister, Finance Canada.

MAR 5: ROUNDTABLE
Missed Targets: Unveiling Canada's 2007 Fiscal Accountability Ranking, William Robson, President & CEO, C.D. Howe Institute.

MAR 18: ROUNDTABLE
How Infrastructure Gets Built, David Livingston, President, Infrastructure Ontario.

MAR 20: ROUNDTABLE
The Road to Zero, Steve Mahoney, Chair, Workplace Safety and Insurance Board.

MAR 26: ROUNDTABLE
Nova Scotia Health Care Reform, Chris d'Entremont, Minister of Health, Government of Nova Scotia.

APR 2: ROUNDTABLE
Ontario 2008 Budget, Colin Anderson, Deputy Minister of Finance, Government of Ontario.

APR 10: CONFERENCE
Business Tax Reform in Canada: The Unfinished Agenda, Jim Flaherty, Minister of Finance, Canada and Bob Hamilton, Senior Assistant Deputy Minister, Finance Canada: Michael Smart, University of Toronto; Kevin Dancey, Pres & CEO Can. Institute of Chartered Accountants; Arthur Cockfield, Associate Dean, Faculty of Law, Queen's University; Nancy Olewiler, Simon Fraser University; Don Drummond, Sr. VP & Chief Economist, TD Bank; Jack Mintz, University of Calgary; John Whalley, University of Western Ontario.

Monetary Policy Council in special session: from left, Council member Andrew Spence, Ontario Teachers' Pension Plan; Council Chairman William Robson; Prime Minster Stephen Harper; and Council member Craig Wright, RBC Financial Group.

Teamwork: from left, Kristine Gray, Executive Assistant and Event Financial Coordinator; Julie Kelsey, Senior Event Planner; Jessica Millar, Development and Public Affairs Officer; and Emily Moore, Conference Coordinator.

APR 16: ROUNDTABLE
The Crisis of American Conservatism, David Frum, Resident Fellow, American Enterprise Institute.

APR 23: ROUNDTABLE
Research and Innovation: Measuring and Delivering, Howard Alper, Chair, Science, Technology & Innovation Council.

APR 30: ROUNDTABLE
Market Turmoil: For Long-Term Investors, Everything Old Is New Again, Jim Leech, President & CEO, Ontario Teachers' Pension Plan.

MAY 2: ROUNDTABLE
Canada's Strength Amid Global Turbulence: Challenges and Opportunities Ahead, Jim Flaherty, Minister, Finance Canada.

MAY 6: ROUNDTABLE
Tax Free Savings Accounts: Good Policy and Good Business? Finn Poschmann, Vice President, Research; Michael Walker, Vice President, Head of Branch Investments, RBC Royal Bank.

MAY 9: ROUNDTABLE
Revitalizing Our Waterfront – Towards Greater Economic Competitiveness for Toronto, John Campbell, President & CEO, WATERFRONT Toronto.

MAY 26: DIRECTORS DINNER
Directors Dinner: Canada's Role in Afghanistan and Beyond, The Honourable John Manley, Senior Counsel, McCarthy Tétrault.

MAY 28: ROUNDTABLE
Making Partnerships Work, Larry Blain, CEO, Partnerships British Columbia.

JUNE 6: ROUNDTABLE
Discussing Aboriginal Education, The Right Honourable Paul E. Martin, House of Commons.

JUNE 6: CONFERENCE
Canadian Economics Association Annual Conference.

JUNE 10: ROUNDTABLE
Financial Services: Status and Prospects, H.S. Riley, President & CEO, Richardson Financial Group Ltd.

JUNE 17: ROUNDTABLE
ABCP – Do We Need Law Reform? Purdy Crawford, Counsel, Osler, Hoskin & Harcourt LLP.

JUNE 24: ROUNDTABLE
Alberta Land-use Framework, Ted Morton, Minister of Sustainable Resource Development, Government of Alberta.

JUNE 26: ROUNDTABLE
The Liberal Party's Green Shift Plan, Stéphane Dion, Leader, Liberal Party of Canada.

JULY 17: ROUNDTABLE
Competition Policy Review Panel, Lynton R. Wilson, Chairman, CAE Inc.

SEPT 9: ROUNDTABLE
Paying for America's Wars, Robert D. Hormats, Vice Chairman, Goldman Sachs (International).

SEPT 12: ROUNDTABLE
Integration and Efficiency Gains in GTA Public Transportation, Rob MacIsaac, Chair, Metrolinx.

SEPT 12: ROUNDTABLE
Financial Outlook in Saskatchewan, Rod Gantefoer, Minister of Finance, Saskatchewan.

SEPT 23: ROUNDTABLE
National Securities Regulation and Enforcement, Douglas M. Hyndman, Chair, British Columbia Securities Commission; Ian Russell, President & CEO, Investment Industry Association of Canada.

SEPT 25: ROUNDTABLE
Policing in the New Age of Accountability, William J. Elliott, Commissioner, RCMP.

SEPT 26: CONFERENCE
Sovereign Wealth Funds: Challenges and Responses, Luncheon speaker, Todd Buchholz, Global Economic Commentator and Policymaker; Brad Setser, Council on Foreign Relations; John Calverley, Standard Chartered Bank; David Denison, CPP Investment Board; Faryar Shirzad, Goldman Sachs; Udaibir Das, IMF; Aaron Brown, Alberta Finance; Robert Palter, McKinsey and Company; John Whalley, University of Western Ontario.

Jeffrey Kupfer, US Deputy Secretary of Energy, (left), and William Robson in Calgary.

OCT 1: ROUNDTABLE
Subprime Solution: How the Global Financial Crisis Happened and What to Do about It, Robert Shiller, Arthur M. Okun Professor of Economics, and Cowles Foundation for Research in Economics, and Professor of Finance and Fellow at the International Center for Finance, Yale University.

OCT 1: ROUNDTABLE
Agricultural Products – Challenges & Opportunities, Michael Wilson, President & CEO, Agrium Inc.

OCT 9: ROUNDTABLE
Renewing Ontario's Electricity Sector: A CEO's Strategic Imperative, Laura Formusa, President & CEO, Hydro One Inc.

OCT 14: ROUNDTABLE
Report: Competition Policy Review Panel, Tom Jenkins; President & CEO, Open Text Corporation.

OCT 15: ROUNDTABLE
Getting it Done: Implementing Electronic Health Records in Canada, Richard Alvarez, President & CEO, Canada Health Infoway.

OCT 16: ROUNDTABLE
Autopsy of an Election, Andrew Coyne, National Editor, Maclean's.

OCT 21: ROUNDTABLE
Constitutional Authority Over Greenhouse Gas Emissions, Peter Hogg, C.C., Q.C., Scholar in Residence, Blake, Cassels & Graydon LLP.

OCT 21: SPECIAL EVENT
Common Grounds: Energy Needs & Environmental Pressure in the United States & Canada, Jeffrey Kupfer, Deputy Secretary of Energy, US Department of Energy.

OCT 29: ROUNDTABLE
Does North America Exist? Continental Governance After NAFTA and 9/11, Stephen Clarkson, Professor, University of Toronto.

OCT 29: SYLVIA OSTRY LECTURE
Why the Critics of Free Trade are Mistaken, Jagdish Bhagwati, Professor, Columbia University.

OCT 30: ROUNDTABLE
Crisis and Response: The Regulator's Role in Market Turmoil, David Wilson, Chair & CEO; James Turner, Vice-Chair; and Lawrence Ritchie, Vice-Chair, Ontario Securities Commission.

NOV 4: CONFERENCE
Canada's Monetary Policy Regime After 2011, Mark Carney, Governor, Bank of Canada and leading economists.

Prime Minister Stephen Harper: at the Prime Minister's request, the Institute's Monetary Policy Council convened a special session in November to discuss policy options in the face of the financial crisis.

NOV 12: ROUNDTABLE
Reflections on the Results of the US Election, Allan Gotlieb, Senior Advisor, Bennett Jones LLP.

NOV 18: BENEFACTORS LECTURE
Central Banking at a Time of Crisis and Beyond: A Practitioner's Perspective, David Dodge, Senior Advisor, Bennett Jones LLP and former Governor, Bank of Canada.

Dining and discussing at the Roundtable featuring Finance Minister Jim Flaherty.

NOV 28: CONFERENCE
Strengthening Canada's Charities: Examining Challenges to Canada's Third Sector, Michael Hall, Vice-President Research, Imagine Canada; Don Johnson, Senior Advisor, BMO Capital Markets; Keith Ambachtsheer, Chair, Princess Margaret Hospital Foundation; Paul Reed, Director, Centre for Applied Social Research, Department of Sociology and Anthropology, Carleton University; Hilary Pearson, President, Philanthropic Foundations Canada; Teri Kirk, Vice President of Government Relations and Regulatory Affairs, Imagine Canada.

DEC 1: ROUNDTABLE
Follow the Money: Enhancing Alberta's Fiscal Framework, Jack Mintz, Palmer Chair in Public Policy, University of Calgary.

DEC 2: CONFERENCE
Demographic Change in Alberta: Challenges and Responses, Hector Goudreau, Minister, Alberta Employment and Immigration; Iris Evans, Minister, Alberta Finance and Enterprise; and leading experts in the field.

DEC 4: ROUNDTABLE
Coalition Government: Economic and Political Implications, The Honourable John McCallum, Chair, Liberal Leaders Economic Advisory Committee, Liberal Party of Canada.

John McCallum, federal MP and Liberal Party economic critic.

DEC 17: ROUNDTABLE
Crisis Averted? How Financial Markets Have Responded to Government Intervention, Warren J. Jestin, Senior Vice President and Chief Economist, Scotiabank; Douglas Porter, Department Chief Economist, BMO Capital Markets; Craig Wright, Chief Economist, RBC Financial Group; Andrew Spence, Chief Economist and Advisor, Investment Planning, Ontario Teachers' Pension Plan.

DEC 18: ROUNDTABLE
Smarter, Better, Fairer: Enhancing Canada's International Tax Advantage, Peter C. Godsoe, Chair, Advisory Panel on Canada's System of International Taxation.

Barb Kerman, Karen Alexander and William Robson, with Laura Formusa, President and CEO, Hydro One Inc.

DEVELOPMENT and Giving

Membership

Conveying the Institute's appeal and relevance to existing and new members is a key goal of the Institute's funding program. The annual membership campaign is the foundation of the Institute budget, supporting core operations and ensuring the Institute remains relevant. The Institute invites support from individuals and organizations and has membership from every region of the country.

Legacy and Major Giving

Major support allows patrons to bolster the Institute's research and dissemination capacities in specific areas. It helps provide sufficient funds for the Institute to second scholars and attract speakers to address worthy subjects and/or specialized audiences. Major giving success will supplement, not replace, the annual membership campaign, which will continue as the mainstay of the Institute's budget. We invite long-time members and friends to make impact gifts that will benefit all Canadians by strengthening the Institute's ability to develop innovative solutions to policy challenges. The Institute has several endowment funds that continue to support critical initiatives and funding priorities in perpetuity. These include:

THE ENDOWMENT FOR SPECIAL STUDIES, stimulated by Founding Patron Alfred Wirth.

THE ROGER PHILLIPS CHAIR IN SOCIAL POLICY, funded by Roger Phillips. Boosts output and quality in tackling critical social policy concerns such as education, Aboriginal issues, and healthcare.

JACK MINTZ ENDOWMENT, supported by friends and colleagues to honour former Institute President and CEO Jack Mintz. Provides for the annual Mintz Seminar on public finance.

SYLVIA OSTRY ENDOWMENT, supported by friends and colleagues to honour Dr. Sylvia Ostry. Provides for the annual Sylvia Ostry Lecture in honor of Dr. Ostry's leading role in international economic policy.

Gifts of Stock and Appreciated Securities

Donating publicly traded stock and securities provides a tax-efficient way of supporting the C.D. Howe Institute. Donors will receive a tax receipt for the appreciated value of their gift, without generating a taxable capital gain.

Planned Giving

Planned giving allows you to provide future support for the organizations that are of the greatest importance to you – and can often allow you to make a larger contribution than you might have thought possible. These gifts ultimately provide a meaningful legacy in your name at the C.D. Howe Institute.

While the various planned gift vehicles provide the donor with definite tax advantages, it is the philanthropic commitment of the donor and his/her relationship with the C.D. Howe Institute that leads to a planned gift. Consistent with other forms of fundraising, planned giving can only be successful if the organization has a focus on building strong, engaging relationships with our donors and prospects. Significant gifts, such as bequests, require considered planning. Timing and tax considerations are crucial. We will work with you, your family and advisers on a confidential basis to ensure your philanthropic goals are met.

William Robson (left), Sylvia Ostry, and distinguished speaker Jagdish Bhagwati, Professor, Columbia University, at the Institute's inaugural Sylvia Ostry Lecture.

Types of planned giving include: Bequests, Charitable Gift Annuities, Life Insurance, Charitable Remainder Trust and Gifts of Residual Interest.

Conference and Event Sponsorship

The C.D. Howe Institute experienced significant growth in the area of event sponsorship during the 2008 year. These sponsorships are crucially important in promoting discussion of relevant policy issues that often leads to published research. Event sponsors allow the Institute to strengthen its voice and raise the profile of the issues that have a direct impact on Canadian public policy.
As a privately funded public good, the C.D. Howe Institute would not be able to undertake important projects without the support of our dedicated stakeholders.

The C.D. Howe Institute would like to thank all of the organizations that have provided sponsorship for our 2008 events. Our success in this area has been due in part to the generosity of the following organizations.

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North American Collaboration on Energy Supply, Access and Infrastructure Featuring Keynote Speaker Jeffrey Kupfer, Deputy Secretary of Energy.
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The Funded Scholars Program

The Funded Scholars Program enables the C.D. Howe Institute to engage leading scholars, for a portion of their time, to participate actively in its research program. Chairs are selected on the basis of their record of scholarship and supported by the generous donations of several organizations. We would like to acknowledge the following organizations and individuals who participated in the Program during 2008.

- *George Weston Ltd.* for its support of Duanjie Chen, George Weston Analyst in Tax Policy;
- David R. Johnson, Education Policy Scholar;
- Jean-Yves Duclos, Quebec Scholar in Economic Policy;
- *Roger Phillips* for his support of John Richards, Phillips Scholar in Social Policy.

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Top: Monique Cormier, Vice President Administration (left) and Alyson Henry, Librarian. Middle: Robert Shiller, Professor, Yale University (left) with Finn Poschmann, Vice President Research. Bottom: Shauneed Bruder and Donald Reimer.

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The Benefactors Lecture and Dinner

Sponsored by ScotiaBank

The annual Benefactors Lecture is a premier event in the Institute's calendar, attended by leaders from business, academe and government. The 2008 event, generously sponsored by Scotiabank Group, featured David Dodge, O.C., former governor of the Bank of Canada. Entitled *Central Banking at a Time of Crisis and Beyond*, his Lecture praised long-term inflation-targeting and recommended policy responses to the on-going credit crisis. His recommendations for reform included:

- Prudential regulators need better tools for tuning financial institutions' regulatory capital requirements, as market conditions change. They need to be able to increase required capital when spreads narrow and leverage increases, and to reduce required capital when spreads widen and leverage contracts.
- Financial institutions should have some ability to smooth profits, by setting aside reserves during good times when market prices are likely to exceed the long-run value of assets, and vice versa in bad times.
- Securities regulators will need to establish rules for structured products and derivatives, to bring about much greater transparency with respect to the underlying risks.
- Central banks should better monitor financial market developments, including market and institutional liquidity issues, and review developments with relevant agencies.

The 2008 Benefactors Lecture was published by the Institute and is available at our website www.cdhowe.org.

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Prism Partners Inc.
Procom Consultants Group Ltd.
Procter & Gamble Inc.
Public Policy Forum
Raymond James Ltd.
RBC Capital Markets
RBC Financial Group
Rio Tinto Alcan
Rogers Communications Inc.
Rosseau Asset Management Ltd.
Royal Canadian Mint
Samuel Son and Co. Limited
SaskTel
Sceptre Investment Counsel
Scotiabank
SGI
Shell Canada Limited
SNC Lavalin Group Inc.
Société générale de financement du Québec
Stewart McKelvey
Sun Life Financial Inc.
Suncor Energy Inc.
Tax Executives Institute, Inc.
TD Bank Financial Group
Teck Cominco Limited
Telus
The Birks Family Foundation
The Canadian Institute of Chartered Accountants
The Great-West Life Assurance Company, London Life Insurance Company and Canada Life
The Institute for Competitiveness and Prosperity
The Investment Funds Institute of Canada
The Railway Association of Canada
Standard Life
The Toronto Board of Trade
ThyssenKrupp Canada, Inc.
Toronto Real Estate Board
Torstar Corporation
Torys LLP
TransAlta Corporation
Transat A.T. Inc.
TransCanada Corporation
Transcontinental Inc.
True Energy Inc.
UPS Canada
Vale Inco Limited
Via Rail Canada Inc.
Viterra
Watson Wyatt
Wawanesa Insurance
WestJet
Weston Forest Group
Workplace Safety & Insurance Board

Views expressed by the C.D. Howe Institute do not necessarily reflect those of its members.

From top: media commentators Martin Knelman (left) and Richard Gwyn; festivities at the Benefactors Lecture dinner; David Dodge, former Bank of Canada governor, delivers the 2008 Benefactors Lecture; Amy Buskirk, Stephanie Hanson and Garfield Mitchell.

To the Members of C.D. Howe Institute

The accompanying summarized balance sheet and statements of revenue and expenses and changes in fund balances are derived from the complete financial statements of C.D. Howe Institute as at December 31, 2008 and for the year then ended on which we expressed an opinion without reservation in our report dated February 23, 2009. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guidelines of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Institute's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 23, 2009

AUDITOR'S REPORT ON SUMMARIZED FINANCIAL STATEMENTS

SUMMARIZED BALANCE SHEET

December 31, 2008

	2008	2007
ASSETS	**$**	$
CURRENT		
Cash	**281,078**	243,306
Short-term investments	**4,489,073**	3,666,208
Accounts receivable	**180,533**	151,942
Prepaid expenses	**45,160**	62,712
	4,995,844	4,124,168
CAPITAL ASSETS	**544,193**	542,005
	5,540,037	4,666,173
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**163,809**	180,442
Deferred revenue	**963,647**	898,625
	1,127,456	1,079,067
LONG TERM		
Deferred capital contributions	**349,754**	308,290
Deferred rent	**226,366**	222,286
	576,120	530,576
	1,703,576	1,609,643
FUND BALANCES		
Invested in capital assets	**194,439**	233,715
Operating	**1,214,313**	1,162,437
Endowment funds	**2,427,709**	1,660,378
	3,836,461	3,056,530
	5,540,037	4,666,173

SUMMARIZED STATEMENT OF REVENUE AND EXPENSES

Year ended December 31, 2008

	2008	2007
REVENUE	**$**	$
Contributions and subscriptions	**3,019,772**	2,820,900
Meetings revenue	**458,376**	285,322
Sales of publications and sponsorships	**29,843**	49,591
Interest income	**74,564**	95,530
Endowment revenue	**53,224**	30,682
Contract revenue	**19,284**	653
	3,655,063	3,282,678
EXPENSES		
Research, administrative and project expenses	**3,548,199**	2,932,560
Amortization	**104,935**	65,921
	3,653,134	2,998,481
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	**1,929**	284,197

AUDITOR'S REPORT ON SUMMARIZED FINANCIAL STATEMENTS

SUMMARIZED STATEMENT OF CHANGES IN FUND BALANCES

Year ended December 31, 2008

	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	2008 Total	2007 Total
	$	$	$	$	$
Balances, beginning of year	233,715	1,162,437	1,660,378	3,056,530	2,334,157
Excess of revenue over expenses for the year	(86,399)	88,328	—	1,929	284,197
Unrealized gain on short-term investments	—	10,671	—	10,671	—
Contributions during the year	—	—	752,339	752,339	415,183
Excess of endowment revenue over expenses	—	—	14,992	14,992	22,993
Purchases of capital assets	107,123	(107,123)	—	—	—
Deferred capital contributions received	(60,000)	60,000	—	—	—
Balances, end of year	194,439	1,214,313	2,427,709	3,836,461	3,056,530

During the year, the endowments earned investment income of $68,216 (2007–$53,675). Of this amount, $28,224 (2007–$5,682) was spent on events and $25,000 (2007–$25,000) on a Scholar. The $53,224 (2007–$30,682) is included in the Statement of revenues and expenses as endowment revenue and research, administrative and project expenses, respectively. The unspent amount for the year of $14,992 (2007–$22,993) is included in the Endowment Fund balance.